Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

CONFIDENTIAL

PAGE 01 RABAT 05632 131744Z
ACTION PM-05

INFO OCT-01 NEA-10 ISO-00 CIAE-00 INR-10 NSAE-00 L-03
EB-08 AID-05 OMB-01 NSC-05 SP-02 SS-15 H-01 HA-05
ACDA-12 /083 W
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P R 131650Z SEP 78
FM AMEMBASSY RABAT
TO SECSTATE WASHDC PRIORITY 6750
INFO SECDEF WASHDC//ASD:ISA/DSAA-TC// PRIORITY
AFAFC SAAC DENVER CO PRIORITY
TREASURY DEPT WASHDC PRIORITY
USCINCEUR VAIHINGEN GER//ECJ4/7//

C O N F I D E N T I A L RABAT 5632

EO 11652: GDS
TAGS: MASS, MO, US
SUBJ: OVERDUE PAYMENTS ON FMS CASH CONTRACTS

REF: A. SECDEF 282227Z AUG 78 B. RABAT 5516

1. DURING SEPTEMBER 8 MEETING WITH FINANCE MINISTER GHISSASSI, HE DISCUSSED MOROCCO'S CURRENT LIQUIDITY CRUNCH AND ITS SERIOUS INDEBTEDNESS ON U.S. MILITARY PROCUREMENT ACCOUNTS. THIS, HE SAID, NOW AMOUNTS TO PAYMENT OBLIGATIONS TO U.S. TOTALLING ROUGHLY DOL 200 MILLION PER YEAR FOR 1978 AND 1979. (NOTE: BASED ON FMS BILLING STATEMENTS DTD 14 JUL 78 FOR THE PERIOD ENDING 30 JUN 78, GOM HAS PAID APPROX 251 MILLION DOLLARS WITH A REMAINING FINANCIAL LIABILITY OF APPROX 196 MILLION DOLLARS. OF THIS LIABILITY, 123 MILLION DOLLARS IS DUE TON 20 SEP 78.) GHISSASSI DESCRIBED RECENT ACTIONS BY KING HASSAN TO CORRECT MOROCCO'S CURRENT FINANCIAL PROBLEMS. THESE ACTIONS, HE ACKNOWLEDGED, WERE HAVING A NEGATIVE IMPACT ON THE GOM'S OVERALL LIQUIDITY POSITION, WITH THE MOST DIFFICULT PERIOD TO BE 1978 AND 1979. THEREAFTER PAYMENT OBLIGATIONS TO THE US ARE EXPECTED TO
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PAGE 02 RABAT 05632 131744Z

DECLINE MARKEDLY. GIVEN THIS SITUATION, HE ASKED IF THERE WAS NOT SOME WAY THAT FMS CASH PAYMENTS, FAILING DUE NOW AND IN 1979, COULD BE RESCHEDULED TO EXTEND THE PERIOD OF PAYMENT OVER A LONGER PERIOD.

2. BASED ON REFTEL A., I SAID WE WERE UNABLE TO OFFER ANY ENCOURAGEMENT, BUT THAT WE WOULD TRANSMIT THE QUESTION TO

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

WASHINGTON. IN RESPONDING TO GHISSASSI'S INQUIRY, WE
BELIEVE WE SHOULD CONSIDER INTER-ALIA THE FOLLOWING OPTIONS:

A. QUICK AGREEMENT TO USE OF PART OF FY 78 CREDIT FUNDS
TO PAY FMS CASH ARREARAGES AS REQUESTED IN REFTEL B.;

B. INFORMING GOM THAT FY 79 CREDIT, WHEN AND IF APPROVED
BY CONGRESS, COULD BE APPLIED TOWARD PAYMENT OF EXISTING FMS
CASH CONTRACTS;

C. OFFERING TO CONTINUE SHIPMENTS, IF IT IS POSSIBLE UNDER THE
LAW, PROVIDING GOM CAN GIVE ASSURANCES THAT ARREARAGES WILL
BE PAID BY A SPECIFIED DATE AND WILL PAY INTEREST ON OVERDUE
AMOUNTS DURING PERIOD OF ARREARAGE;

D. USE OF SEC 22B OF THE ARMS EXPORT CONTROL ACT TO ISSUE
AMENDMENTS TO ARMY MODERNIZATION PROGRAM CONTRACTS TO PERMIT
GOM TO PAY 120 DAYS AFTER DELIVERIES OF DEFENSE ARTICLES OR
RENDERING OF DEFENSE SERVICES. SINCE THIS WOULD REQUIRE
APPROVAL OF THE PRESIDENT AND CONGRESS, IT WOULD NOT HELP
THE IMMEDIATE PAYMENTS PROBLEM. HOWEVER, IF APPROVED AND
IMPLEMENTED IN 1979, IT MIGHT ASSIST GOM THROUGH ANOTHER
CRITICAL PAYMENT PERIOD NEXT YEAR.

3. AN EARLY RESPONSE TO THE MINFIN'S REQUEST WILL ENCOURAGE
GOM TO DECIDE QUICKLY HOW IT IS GOING TO RESOLVE ITS
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CURRENT FMS CASH PAYMENTS PROBLEM.

4. COMMENT: GHISSASSI'S REQUEST FOR SOME FORM OF RESCHE-
DULING OF GOM'S FMS CASH CONTRACT OBLIGATIONS CONFIRMS THE
SERIOUSNESS OF GOM'S RESOURCE POSITION DISCUSSED IN RECENT
EMBASSY REPORTING (SEE RABAT 5387 AND 5403) AND EXPLICITLY
ANTICIPATED IN RABAT 5490. WHILE WE ARE UNAWARE OF THE FULL
RANGE OF POSSIBLE MEANS OF RELIEF, WE DO URGE THAT WE SERIOUS-
LY WEIGH EVERY POSSIBILITY OF ASSISTING THIS COUNTRY TO
MEET ITS INDEBTEDNESS TO US DURING A TEMPORARY,
REASONABLY FINITE PERIOD OF FINANCIAL STRAIN. MOFFAT

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20 Mar 2014
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